

A STUDY ON THE IMPACT OF TALENT MANAGEMENT PRACTICES ON PERFORMANCE OF THE SELECT INDIAN ORGANIZATIONS

RAJI KAUR¹ & M. S. KHAN²

¹Research Scholar, Babasaheb Bhimrao Ambedkar University (A Central University), Lucknow, Uttar Pradesh, India

²Head/ Coordinator, MBA Programme, School for Management Studies, Babasaheb Bhimrao Ambedkar University
(A Central University), Lucknow, Uttar Pradesh, India

ABSTRACT

In the 21st century, the primary tool for managing the resources of the organization is the proper and effective talent management. It is the talent management, which can help the organization in competing in the market, other than the traditional factors which included land, capital along with other tangible assets. In the globalized and highly competitive environment, overcoming the concept of talent paradox may seem difficult but not impossible. The current requirement is of an integrated and strategic approach that can help the talent management at all stages, right from planning to outsourcing and further to training and retaining the right talent. The implementation of good talent management practices helps any organization to overcome the fear of scarcity of talent at any stage. This paper tries to find out vital talent management practices and their impact on the performance of various organizations with the help of statistical tools like correlation and regression analysis. The research is both exploratory and descriptive in nature and sample frame involves 10 organizations selected from Lucknow region, India, having sample size of 312 respondents.

KEYWORDS: Talent Management, Strategic, Correlation and Regression, Organization & Performance

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INTRODUCTION

The talent management is becoming a necessity for the companies to survive and grow in the market. Because of the increasing competition, the companies are facing immense pressure to give better performance. Today, talented professionals are working in an ever-changing business environment of uncertainty, volatility, ambiguity and complexity. To work in this complex business environment, the need is of skillful and talented strategy. Along with this, there needs to be an optimal use of resources to maximize the great potential of talented employees. Attracting, developing, retaining as well as evaluating talent adds up to the right recipe of talent management. The strategies for talent management have to be appropriately framed because talent management is critical for the success of any company. All the modern organizations realize the necessity of attracting, developing, evaluating and retaining the talent and talented individuals to face the cut-throat competition in the market. The war for grabbing the best talent has gained momentum. With the best talent management practices, the organizations can improve on different aspects such as employee engagement, talent retention, and value addition, which can ultimately benefit them in the threats that the market is imposing on them. While many talent management practices adopted by HR managers and executives, have been considered as “nice practices”, it has rarely been seen that these practices have helped the company to evolve with a huge benchmark. Various past studies have discussed and found that those companies who effectively used different talent management practices have been able to outstand their

competitors.

LITERATURE REVIEW

Though the concept of talent management is discussed frequently, a limited empirical study has been conducted to analyze the effect that talent management poses on the overall organizational performance. The studies which have shown linkages between talent management and performance of the organization are cross-sectional in nature (e.g., Huselid & Becker, 1998; Ringo et al., 2008). Still, there are some studies which have confined themselves to a particular sector or industry (ASTD & SHRM, 1999; Yapp, 2009) with a specific sample size (Di Romualdo et al., 2009; Joyce, Herreman & Kelly, 2007; Gandossy & Kao, 2004). The previous studies, in general, have shown consistency in giving out a position relation between talent management and performance of the organization. The first stream deals with analytical technique for tying talent management and financial performance of the organization (e.g., Fitz-Enz, 2009), while the second stream focuses on analyzing as well as optimizing the overall talent management system (e.g., Boudreau & Ramstad, 2004). Along with this, there are various authors who have aligned to the third stream which refers analytics to a set of such metrics as well as measures by different customers (e.g., DGFP, 2007). Also, an international study which was conducted by Half (2007) shows that 83 percent of the managers of Germany and 95 percent of the managers of Netherland have observed direct links between the talent management practices and the success of the organization. Additionally, a study by McKinsey shows that a strong correlation exists between the talent management practices and the financial performance of the organization (Guthridge & Komm, 2008). Thus, the previous studies have consistently proved that effective talent management can put a great impact on financial as well as non-financial performance of the organization.

RESEARCH OBJECTIVES

The objective of the study is to explore correlation and impact of talent management practices on the performance of the organization. Accordingly following hypothesis measuring correlation and the impact of talent management factors were formulated as:

- **H₁:** There is a significant correlation between talent management practices and financial performance of business organization.
- **H₂:** There is a significant and positive impact of Learning and High Potential Development on Organizational Performance.
- **H₃:** There is a significant and positive impact of Workforce Planning and Talent Acquisition on Organizational Performance.
- **H₄:** There is a significant and positive impact of Retention Strategy on Organizational Performance.
- **H₅:** There is a significant and positive impact of Compensation and Benefits on Organizational Performance.
- **H₆:** There is a significant and positive impact of Growth and Learning Opportunity on Organizational Performance.
- **H₇:** There is a significant and positive impact of Organizational Culture and Policies on Organizational Performance.
- **H₈:** There is a significant and positive impact of Relationship with Employees on Organizational Performance.

RESEARCH METHODOLOGY

The research approach is descriptive based on primary data, employing the 'Quantitative Research' approach which included different statistical tools to analyse the relationships among different variables. The data has been collected through the survey and the instrument was devised to assess the satisfaction of Talent Management Practices among employees and includes 40 variables representing talent management practices. All the factors or constructs of Interest was tested for the reliability and validity of their instruments through which they were measured. Cronbach's Alpha measure was employed to test the reliability of the constructs whereas the validity of the scale was ascertained by extracting the average variance of the construct through 'One Factor' exploratory factor analysis. It was observed that the values of Cronbach's Alpha for most of the constructs are more than 0.7. for validity it is observed that for nine constructs (constructs no. 1, 2, 4, 5, 6, 7, 8, 9 & 10) only one factor is extracted from the instruments of each priori construct and the AVE from each factor extracted from each factor was satisfactorily greater than 50% with the Eigen values of the extracted factors far greater than one. This questionnaire was constructed on five point Likerts scale ranging from 1 strongly disagree to 5 strongly Agree. To find the correlation among the variables 'Pearson Moment Correlation' technique is applied. The next part of the objective was to find the impact of talent management practices on organizational performance of business organizations. As both the variables here are continuous a Causal Analysis is done employing Multiple Linear Regression. Talent management practices were considered as independent variables while organizational performance was as dependent variable.

ANALYSIS AND INTERPRETATION

Assessing Correlation and Impact of Talent Management Practices on the Performance of the Organization: Correlation and Regression

The following talent management practices and organization performance factors were measured and quantified through exploratory factor analysis:

- Organizational Performance (OP)
- Workforce Planning and Talent Acquisition (WPTA)
- Learning and High Potential Development (LDP)
- Retention Strategy (RS)
- Compensation and Benefits (CB)
- Growth and Learning Opportunity (GLO)
- Organizational Culture and Policies (OCP)
- Relationship with Employees (RE)

First of all the correlation is estimated among these factors and next the impact of factors related to talent management practices on the performance of the organization is assessed through multiple linear regression. The correlation table below shows the correlation among the factors. It was observed that the Organizational Performance is significantly correlated with all the other factors except one. This finding makes a lot of sense, since the OP is dependent variable it is needed to be correlated with all the other independent variables. The OP was not found to be correlated with

Learning & Potential Development, which was factored that emerged after combination of the two priori factors. It may be interpreted that the learning of the employee and their own potential development is not correlated with the performance of the organization. The strongest correlation of OP was found with Capability Development and Performance, the second highest correlation was found to be with Compensation and Benefits which also makes a lot of sense. The correlation of Organizational Culture and Policies, Workforce Planning and Talent Acquisition and Retention Strategy with OP was found to be moderate though significant. However, it was interesting to find that the correlation of OP and Relationship with Employees was negative.

Table 1: Correlation

Factors		Organisational Performance (OP, F & NF)	Learning & Potential Development (LDP)	Workforce Planning and Talent Acquisition (WPTA)	Retention Strategy (RS)	Compensation and Benefits (CB)	Organizational Culture and Policies (OCP)	Capability Development and Performance (CDP)	Relationship with Employees (RE)
OP	R	1	.000	.134*	.249**	.318**	.274**	0.464**	-.337**
	p value		.997	.018	.000	.000	.000	.000	.000
LDP	R	.000	1	.089	.033	.076	.119*	-.081	-.120*
	p value	.997		.116	.562	.178	.036	.155	.034
WPTA	R	.134*	.089	1	.081	.000	-.006	-.049	-.043
	p value	.018	.116		.154	.998	.913	.385	.452
RS	R	.249**	.033	.081	1	.202**	-.134*	.330**	-.237**
	p value	.000	.562	.154		.000	.018	.000	.000
CB	R	.318**	.076	.000	.202**	1	-.196**	-.378**	-.271**
	p value	.000	.178	.998	.000		.001	.000	.000
OCP	R	-.274**	.119*	-.006	-.134*	-.196**	1	.228**	.192**
	p value	.000	.036	.913	.018	.001		.000	.001
CDP	R	.464**	-.081	-.049	-.330**	-.378**	.228**	1	.418**
	p value	.000	.155	.385	.000	.000	.000		.000
RE	R	-.337**	-.120*	-.043	-.237**	-.271**	.192**	.418**	1
	p value	.000	.034	.452	.000	.000	.001	.000	
*. Correlation is significant at the 0.05 level (2-tailed).									
**. Correlation is significant at the 0.01 level (2-tailed).									

It was evident from the above table, that, except some pairs most of correlations among the talent management practices factors were significant. The LDP was found to be significantly correlated only with OCP and RE. WPTA was not found to be correlated with any other talent management practices factor. RS was found to be significantly correlated with all the other factors except LDP and WPTA. Similarly, CB was found to be significantly correlated with all the other factors except LDP and WPTA. On the same track, CDP was also found to be significantly correlated with all the other factors except LDP and WPTA. OCP was found to be significantly correlated with all the other factors except WPTA. Similarly, RE was found to be significantly correlated with all the other factors except WPTA. All in all it may be inferred that, except LDP and WPTA, all other talent management practices, factors were significantly correlated with each other. Based on significant relationship between OP and other talent management practices factors, regression was run to determine the impact of talent management practices factor on OP.

Multiple Linear Regression (MLR)

Table 2: MLR: Model Summary and Significance

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.647 ^a	.428	.403	1.20333

a. Predictors: (Constant), WPTA, LDP, RS, CB, GLO, OCP and REL

Multiple linear regression was employed to assess the impact of talent management practices on the performance of the organization. The obtained value of multiple correlation coefficient R was 0.647 leading to the R^2 of the model to 0.428. The R^2 of the model indicates that the seven independent variables or predictors explain 42.8% variability in the dependent variable of organizational performance (Table 2). The adjusted R^2 is 40.6% which is not significantly different from R^2 . Adjusted R^2 means that if the model is estimated from population there would be a small reduction of about 2.5% of variance explained in the dependent variable. The standard error of the estimate was 1.2. The obtained R^2 implies that the model explains more than 40% variance in the outcome variable which is quite considerable.

Though the variance explained by the model is considerable, the F statistic from ANOVA is analyzed to check whether the amount of variance explained is significantly greater than the amount of unexplained variance in the model. The observed value of F stats is 18.287 (Table 3) with the associated p-value $< .000$. Since the F stats is significant, therefore the overall proposed model may be considered as a good fit of observed data, this imply significant impact of talent management practices on organizational performance.

Table 3: ANOVA Table

ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	92.154	7	13.165	18.287	.000 ^b
	Residual	218.846	304	.720		
	Total	311.000	311			

a. Dependent Variable: Organizational Performance

b. Predictors: (Constant), WPTA, LDP, RS, CB, GLO, OCP and REL

MLR: Coefficients

Table 4: Regression Coefficients Table

Regression Coefficients					
	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	6.288E-17	.048		.000	1.000
LDP	-.046	.049	-.046	-.927	.355
WPTA	.111	.048	.111	2.289	.023
RS	.065	.052	.065	1.264	.207
CB	-.304	.058	.304	-5.284	.000
OCP	-.139	.051	.139	-2.743	.006
CDP	.130	.053	.130	2.459	.014
RE	-.133	.054	-.133	-2.448	.015

a. Dependent Variable: Organizational Performance

Once the significance of the overall model was established, the coefficients of relationship between a dependent variable (organizational performance) and independent variables (talent management practices or factors) were analysed. These coefficients were represented by b_1 , b_2 , b_3 , b_4 , b_5 , b_6 and b_7 as mentioned above and correspond to the respective talent management practice or factor. These standardized coefficients, 't' values and corresponding significance are also shown in table 4. It may be observed from the table 4 that out of seven talent management factors only five have significant impact (p value is $< .05$ only for five factors) on the performance of the organization. Hence it may be concluded that hypotheses H_2 , H_4 , H_5 , H_6 and H_7 were supported whereas hypotheses H_1 and H_3 were not supported. It was found that Compensation and Benefits was having largest beta value of .305 significant at $p < .001$ level, this implies that the CB has

the strongest impact on organizational performance among the observed talent management factors. It may be concluded that CB is the most important factor for performance of the organization among considered factors. Next factor in line was Organizational Culture and Policies having second largest beta of .139, with p value .006 indicating that OCP was the second most important factor affecting Organizational Performance. Capability Development and Performance, and Relationship with Employees were found to have approximately equal effect size with beta value .130 and .133 and associated p values of .014 and .015 respectively. Hence, these two factors were the having third strongest effect on OP. The weakest though significant effect on OP among the observed factors was that of Workforce Planning and Talent Acquisition with beta value of .111 and associated p value .023.

The factors that were not having any significant impact on Organizational Performance are Learning and Potential Development, and Retention Strategy. As expected, LDP didn't have any impact on OP (since the correlation between OP and LDP was not found to be significant). However, it was interesting to know that RS also didn't have a significant impact on OP. It implies that the Learning and Potential Development, and Retention Strategy are not significant predictors of Organizational Performance as per the findings of this study.

FINDINGS

- The study finds that except some pairs most of correlations among the talent management practices factors were significant.
- It may be inferred that, except Learning and High Potential Development and Workforce Planning and Talent Acquisition, all other talent management practices factors were significantly correlated with each other.
- Most importantly Organizational Performance was found to be significantly correlated with all the other extracted Talent Management Practices factors.
- It was found that Compensation and Benefits was having strongest impact on organizational performance among the observed talent management factors.
- Organizational Culture and Policies were the second most important factor affecting Organizational Performance.
- Capability Development and Performance, and Relationship with Employees were found to have approximately equal effect size.
- The weakest though significant effect on OP among the observed factors was that of Workforce Planning and Talent Acquisition.
- Learning & Potential Development and Retention Strategy were not having any significant impact on Organizational Performance.

CONCLUSIONS AND RECOMMENDATIONS

Talent Management has become one of the most important buzzwords in Corporate HR and training today. Organizations know that they must have the best talent in order to succeed in the hypercompetitive and increasingly complex global economy. They must manage talent as a critical resource to achieve the best possible results in the long run. This has led talent management a vital area of research. The study reveals that Compensation and Benefits come out to be the most important factor for performance of the organization among considered factors. Organizations providing

supportive culture and Policies ensure high organizational Performance. While Capability Development and Performance, and Relationship with employees are also supportive to a moderate extent. Surprisingly, our study points out that Learning & Potential Development and Retention Strategy have no significant impact on organizational performance. The results of the study can help organizations to improve policies related to talent management in order to motivate and maintain their employees in the long run. The study recommends the development of a talent, culture so that talent conversations become acceptable throughout the organization and individuals are encouraged to expand their networks. The study also recommends that various organizations offer differentiated and tailored development routes that can meet individual needs and strengths to help improve the engagement of those identified as a talent and avoid perceptions of under-utilization. To develop rewards and compensation structures which will be geared towards incentivizing line managers to spot and develop talented employees. The study further recommends accounting measures are appropriate, measurable and economical. Finally, the study recommends that the talent management system is integrated across all aspects of human resource management. There are clear inter-dependencies between talent management and recruitment, development, diversity, retention and succession planning practices.

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